

**CITY OF BOULDER
CITY COUNCIL AGENDA ITEM**

MEETING DATE: July 7, 2009

AGENDA TITLE: Consideration of a motion to accept the summary of the May 12, 2009 City Council Study Session related to the 2010 budget and potential ballot issues for the November 2009 election.

PRESENTERS: Jane S. Brautigam, City Manager
Bob Eichen, Director of Finance/ Acting Executive Director of
Administrative Services

EXECUTIVE SUMMARY:

The purpose of the May 12, 2009 study session was to provide the most current financial information for 2008 and 2009 and to present information for the first revenue check-in of the phased spending plan for 2009. In addition, preliminary information related to the 2010 budget was presented as well as information on potential ballot issues for the November 2009 election.


STAFF RECOMMENDATION:

Suggested Motion Language:

Staff requests council consideration of this matter and action in the form of the following motion:

Motion to accept the summary of the May 12, 2009, study session, included as attachment A to this agenda item related to the 2010 budget and potential ballot issues for the November 2009 election

Approved By:


Jane S. Brautigam
City Manager

ATTACHMENT/S:

- A. May 12, 2009 City Council Study Session Summary

ATTACHMENT A

May 12, 2009 City Council Study Session Summary 2010 Budget

PRESENT: **City Council:** Mayor Matt Appelbaum, Deputy Mayor Crystal Gray, Council Members Suzy Ageton, Macon Cowles, Angelique Espinoza, Susan Osborne, Lisa Morzel, and Ken Wilson
Staff members: City Manager Jane Brautigam, Director of Finance /Acting Executive Director of Administrative Services Bob Eichem, Budget Officer Kathy McGuire and Budget Analysis Manager Jim Reasor

PURPOSE

The purpose of the May 12 study session was to provide the most current financial information for 2008 and 2009 and to present information for the first revenue check-in of the phased spending plan for 2009. In addition, preliminary information related to the 2010 budget was presented, including an overview of the possible uses of the incremental revenue generated from the “de-Bruced” portion of the city’s property tax, as well as information on potential ballot issues for the November 2009 election.

The agenda for the 2010 budget discussion was as follows:

- Introductory Comments
- 2009 – 2010
 - Financial Overview
 - Budget Information Check-in
 - De-Brucing of Property Tax
 - 2009 Fee & Tax Review
- 2009 Charter Changes

INTRODUCTION

City Manager Brautigam welcomed council to the first budget study session in the 2010 budget process. She explained that there would be two primary sections to the study session. The first would be a financial overview to begin preparing for the 2010 budget process, including the first revenue check-in for the 2009 phased spending plan and discussion of the incremental revenues generated from the “de-Brucing” of property taxes. The second segment would include a discussion of potential items that council may want to put on this year’s ballot, including changes to the charter.

FINANCIAL OVERVIEW

Director of Finance, Bob Eichem began his financial overview with a brief update on the 2008 unaudited financial results. He explained that when the economic downturn occurred at the end of 2008, revenue projections were revised downward and departments were also asked to reduce their spending. As a result, all expenditures were within the revised expectations and total revenues were generally in line with revised projections, with the exception of sales tax that came in 3.6% less than projected.

The total 2008 sales and use tax collected citywide was a little more than the amount collected in 2000 but the buying power reduction for those dollars is now over 20%. The retail sales tax for March 2009 was down 2.59% from March of 2008 and March of 2008 was down 9.4% from March of 2007. So the -2.59% is on top of the -9.4% in 2008. April of 2008 was a good month with about 12% over the previous April. Due to the erratic collection numbers in the first months of 2008, it will be very important for staff to review and analyze retail sales tax collections at the end of April.

Mr. Eichem also discussed “headwinds” that are a challenge for Boulder. They include the continued instability of the economy, the fact that the ending point of the economic downturn is unknown, low consumer confidence impacting how people will be using their disposable income, and the continued job loss. The items that are acting as “tailwinds” for Boulder are the stability of property tax values, the fact that CU, BVSD, and the Federal Labs provide a fairly stable employment base, and use tax collections related to new construction for organizations such as CU and the Federal Labs. Boulder will also receive federal stimulus funds that will mostly flow through to other entities in the community but will still have an impact on our revenue collection. One last “tailwind” for Boulder is the current low inflation rate. There may be a problem with inflation in the next few years, but for the 2010 budget it appears to be remaining low.

Next, the 2009 revised sales and use tax projections and property tax projections were provided to Council. The projection for sales and use tax for 2009 has been revised from \$89,998,000 to \$82,938,000. Property Tax is projected to be \$24,562,000 which includes the first year of the de-Bruced revenue. A brief summary of other major revenues for 2010 was also provided which included the following:

- sales and use tax projected to stabilize in 2010
- property tax to be steady with the 2nd year of de-Bruced revenue
- utility rates (information to be presented at the July 28th Study Session)
- interest income to be decreasing
- Xcel franchise fee revenue to be declining
- accommodations tax revenue to be declining
- development fees to be declining

BUDGET INFORMATION CHECK IN

Next Mr. Eichem discussed the phased spending approach that was instituted at the end of 2008 for additions to the 2009 budget. The first check-in for the phased spending was to occur after revenues were received thru March of 2009. The March revenue report showed that revenues did not meet the target of \$16.6 million for the first scheduled check-in. Many of the items that were to be released after meeting the first revenue target have been covered through other means such as budgetary tradeoffs. The remaining items will be deferred until the second check-in. The second revenue check-in will occur after May collections are reported and the third check-in will be after collections thru July have been received.

DE-BRUCING OF PROPERTY TAXES

The next portion of the presentation concerned de-Bruced property tax revenues. Last fall, the elimination of the Tabor restrictions on property tax was approved by Boulder voters. The

restrictions are to be phased out over six years and at the end of the six year period, additional funding from property tax is estimated to be \$6,700,000. These funds support programs in the general fund, permanent parks and recreation fund, library fund and Community Housing Assistance Program (CHAP) fund. The total projected additional de-Bruced property tax revenue for 2009 is \$1.2 million. When the de-Brucing item went to the voters, critical deficiencies were identified for the use of the additional funding. Among these items were fire apparatus, facility maintenance, technology upgrades, facility energy costs, and vehicle fuel. The ballot allowed for any residual funding to be allocated to other essential city services. Staff has identified potential uses of the \$960,000 in the general fund for 2009 with 75% going to critical deficiencies and 25% going to other essential needs. Staff is recommending that no decisions be made on the use of the additional de-Bruced property tax revenues until the second revenue check-in, as other issues may arise if sales and use taxes continue to decline.

2009 FEE AND TAX REVIEW

Mr. Eichem presented 15 possible fee or ballot items that council may want to consider in 2009 and requested direction from council on these item. The following is the list of items and the direction council provided.

Possible Fees or Ballot Items for Consideration	Council Direction
1.) .15% sales and use tax renewal	Yes – consider for the ballot this year
2.) .25% sales and use tax renewal	Not at this time
3.) Increase in sales and use tax or property tax rates	Not at this time
4.) Special taxing districts	Interest in a study session at a later date (considered a low priority at this time) Information will come to Council on June 2 nd
5.) (A) DETs & Development Fees	Information will come to Council on June 2 nd
5.) (B) Modification of Housing Tax	Information will come to Council on June 2 nd
6.) Accommodations Tax	Staff was asked to discuss the tax increase with the Boulder Convention and Visitors Bureau
7.) Restructure Open Space Revenue Bonds	Yes – consider for the ballot this year
8.) Request voter approval of Pension Obligation Bonds (POB)	Yes – consider for the ballot this year
9.) Build America Bonds	Hold until there is a better understanding of the requirements of the bonds.
10.) Transportation Maintenance Fee Sponsorship and Advertising VMT Parking Space Fees Local Option Gas Tax	Council would like staff to bring the first two fee items back for further consideration.
11.) Parks Maintenance Fee	This is a lower priority than the Transportation Maintenance Fee

Possible Fees or Ballot Items for Consideration	Council Direction
12.) Trash Hauler's Tax	Will be presented to council at the May 19 th City Council meeting
13.) CAP Tax	Will be presented to council at the special City Council meeting on June 4 th
14.) Development Review and Building Fees	Have already been approved; were listed here to present a comprehensive picture of fee and rate increases
15.) Plant Investment Fees - Utilities	Have already been approved; were listed here to present a comprehensive picture of fee and rate increases

CHARTER CHANGES

City Attorney Jerry Gordon explained that the City Council Charter Committee, composed of Council Members Ageton, Morzel, and Wilson, had two meetings and discussed the following potential charter changes.

1. Enlarging certain advisory boards.

The committee did not support amending the charter on this item.

2. Clarifying that boards/commissions are responsible to council rather than staff.

The committee supported providing better training to department directors and new board/commission members and not addressing this with a Charter amendment.

3. Extending maximum lease periods under limited circumstances.

The committee decided that since this has been rejected by the voters twice in the last couple of years it would only make sense not to include it on the ballot. This would allow time for more public education on the issue as well as the possibility of considering a limitation on it, such as approval of a longer term but only for non-profit organizations.

4. Allowing greater building height in a selected area of the city.

The committee did not endorse this concept but some members would like to have further discussion on this issue at a later date.

5. Solar gardens and related matters.

This item was only briefly discussed because the committee came to the conclusion that impediments to these concepts were not in the Charter.

6. Board and commission procedural issues.

The committee discussed a few procedural issues that have come up during the past year and it was decided that it may be possible to address many of these by ordinance.

In general, the committee was concerned that if too many issues were placed on the ballot it would result in "voter fatigue". They felt that the need to address issues related to the economic situation would more important to pursue with voters on this year's ballot.

FOLLOW-UP ITEMS

The following items were identified as needing follow-up from the study session.

Council requested that staff provide a brief paragraph describing the impact on each item in the 2nd & 3rd tiers of the phased spending plan if funding is not released for 2009? Council also wanted to know what trade-offs could be made to provide funding for these items.

Since the 2nd revenue check-in is scheduled for July 14 as part of the budget study session, staff will bring this information forward at this time.

Council requested verification that an energy audit for all municipal buildings has been completed.

In response to the inquiry, the following information was compiled by the Facilities Asset Management (FAM) division of Public Works and e-mailed to City Council on May 20, 2009:

Municipal Building HVAC System / Council Chambers

The Municipal Building was constructed in 1951. Originally, it had a boiler for heat and natural ventilation system for cooling. In the mid-1970s, seven air conditioning units (some with supplemental heat) were added. In the 1990s, the single-pane windows were replaced, a new boiler installed, an A/C unit was installed in the lobby and spaces were modified for new uses. Since 2000, several HVAC units have been replaced, additional single-pane windows were replaced, zone valves to control heat in some spaces were installed, pipe insulation were added/replaced, Solidyne automated building control system was installed, the chill water pumps were replaced and most recently, a solar-PV system was installed.

Currently, the building is heated and cooled with six rooftop units and some older electric heaters throughout the building that turn on when needed. On May 12, the Solidyne building control system showed that the council side of Council chambers was set at 73 degrees and got no higher than 73.9 degrees. The audience side of chambers is on a separate system and was set at 70 degrees. To conserve energy, both systems should be set at 73 degrees. For comfort, air volume will be enhanced to increase circulation.

Energy Assessments

- City-wide: energy assessments for 10 of 20 buildings budgeted for have been completed through Xcel. Staff is examining completion of the remaining 10 facilities.
- Municipal Building: An Xcel Energy Assessment was conducted on June 6, 2008 and recommendations included:
 1. Recommission HVAC system - Applying for an Xcel Energy "Engineering Assistance Study" grant under the new 2009 Xcel rebate program for 75% coverage.

2. Install lighting controls (occupancy sensors) in some spaces such as conference areas. Not started due to an estimated payback of 9.2 years.
3. Change Boiler Reset - from 70 degrees to 60 degrees - Not implemented based on complaints that building is too cold at 60 degrees.
4. Turn off Hydronic Sidewalk Heating in warmer months - PM item initiated to turn system off during summer months (May to October).
5. Replace chilled water pump motors - complete
6. Install a PC Power Management System - IT working on
7. Also recommended replacing the HVAC system, but needs a more detailed analysis.

Next Steps:

- In March 2009, the city-wide intra-departmental Energy Strategy Team unanimously decided to partner with the Governor's Energy Office for energy savings
- Reviewing 10 Energy Service Companies (ESCO) pre-qualified with the Governor's Energy Office for possible performance contracts
- First focus will be on our highest energy demand facilities - Recreation centers and Utility plants; total of 220 city buildings may be included
- Selected ESCO will perform a more detailed energy analysis of each facility, recommend energy saving measures and capital investments, and then financing plans for the selected measures to be paid by energy savings, maintenance funding, and/or grants through the economic stimulus program
- Will also include renewable energy applications, building monitoring systems, and Energy Star ratings

Council wanted to know how employees are able to provide anonymous input regarding ideas for increasing organizational efficiency.

As part of the 2010 budget process, an internal website has been set up for employees to receive and provide information about the city's budget. Employees are able to provide their individual feedback anonymously through this site and the results are being compiled along with those from the public outreach process. The overall results from both processes will be presented to City Council at the July 14 study session.

With regard to potential ballot issues, council requested the following:

- information on other tax items that may be on the ballot from RTD, the county, BVSD, etc.,
- a report from HHS about which segments of the community are being hardest hit by the current economic downturn (may want to explore something similar to a Worthy Cause tax),
- information on a special taxing district such as a library district, although council indicated that this was a low priority.

This information was provided as part the ballot issue follow-up brought forward under "Matters from Mayor and Members of Council" at the June 2 city council meeting.